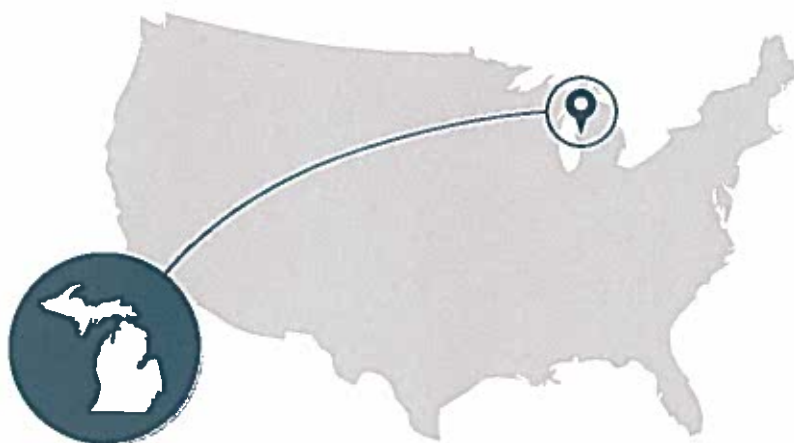


MICHIGAN

BY THE NUMBERS

Direct Energy is one of the largest competitive retail providers of electricity, natural gas, and home services in all of North America with nearly **5 million** customer relationships, multiple brands and approximately **6,200** employees.



Commercial & Industrial (C&I) Customer Relationships

Gas: **7,878**

Power: **387**



Small Business Customers

Gas: **7,730**

Power: **19**



Residential Customers

Gas: **73,696**



13 FRANCHISE TERRITORIES

All three service brands are in Michigan:



Ranked as the **top HVAC franchise** by Entrepreneur Magazine (Franchise 500)



Ranked as one of the **top plumbing franchises** by Entrepreneur Magazine (Franchise 500)



Ranked as the **top electrical franchise** by Entrepreneur Magazine (Franchise 500)



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Chairman Glenn, Vice Chair Hauck, Minority Vice Chair Lasinski and members of the committee, thank you for allowing me to present today. My name is Teresa Ringenbach and I handle the Midwest Government and Regulatory affairs for Direct Energy.

Direct Energy is an energy supplier and a home services company. Our businesses range from Hive our smart thermostat and lightbulb companies to our distributed energy and power companies which install combined heat and power systems, solar and microgrids. In Michigan, our businesses include natural gas and electricity supply and home services franchises. These include Mr. Sparky (electricians) and One Hour Heating and Air Conditioning.

While Direct Energy is a global corporation the foundation of our business is in energy supply. Our headquarters are located in Texas which is recognized as the most advanced competitive energy market in North America. Texas recently celebrated its 15th anniversary of electric choice. As part of that several studies and events were held.

Today I'm going to present two pieces of their success. The first is a short 4 minute clip from a documentary film on how Texas opened their market. Afterward I will provide you with some of the economic successes they have seen over the last decade as a result of their choice.

{Show Clip}

As you can see the same players we have seen in Michigan with similar positions were lined up in Texas when it was looking at electric choice. And despite all of that they were able to pass simple legislation which resulted in control for their customers, expansion for their wire utilities and growth of a new industry.

What we hear little of in the debate on choice is the economic impact to the state as a result of this fully open market. Here are just a few of those numbers:

- Texas produces an additional \$8.3 billion in annual gross product as a result of electricity restructuring.
- Restructuring has also resulted in 42,300 *more* direct and indirect jobs than we would have had in a regulated utility model, 16,800 of which are in the industry.
- Average industry wage in Texas is \$98,135, above the national average for the

6/15/17

industry.

- Since restructuring, the Texas electric distribution workforce has grown 426%, almost 9 times the national rate.
- Texas has gained an additional \$328 million in annual state revenues, and local governments \$113 million.
- There are over 100 retailers in Texas. Just four significant Texas-based retailers with available filings – NRG, Just Energy, Spark Energy, and Direct Energy – represent over \$27 billion in 2016 retail revenues.

Thank you again for allowing me to present a different aspect of this industry its ability to be a job creator. I can take questions now.

Teresa Ringenbach

Senior Manager - Government and Regulatory Affairs (Midwest)

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Executive Summary

- The benefits of retail electric competition have been significant for the economy of Texas, with better pricing and customer choice, as well as numerous innovations to meet consumer needs. In addition to these benefits (which are beyond the scope of this study), a new industry, retail electric providers,¹ has developed and is generating its own economic benefits.
- Since the introduction of competition, the electric power distribution industry² has experienced significant growth in Texas.
 - The number of establishments³ (locations) providing distribution services in Texas increased from 180 in 2004 to 471 in 2015, which represents a growth rate of **161.7%**.
 - There are now well over 100 retail electric providers active in the state.
 - Average annual wages in the industry have increased dramatically and have surpassed those of the United States.
 - Overall employment in the larger electric utility sector⁴ has declined by about 11% in the remainder of the United States since 2001, while growing in Texas. Specifically with regard to distribution, the rest of the country has seen growth since 2001 of 48.5%, while Texas saw expansion of **425.9%**.
- The Perryman Group estimates that operations of competitive retail electric providers in Texas generate more than **16,800 ongoing jobs over and above what would be required for distribution under a regulated framework**. This activity adds significant value to consumers.
- In addition, the economic stimulus provided by the industry generates multiplier effects throughout the economy. When multiplier effects are included, retail electric

¹ The Public Utility Commission of Texas defines a retail electric provider as an entity that “sells electric energy to retail customers in the areas of Texas where the sale of electricity is open to retail competition. A REP buys wholesale electricity, delivery service, and related services, prices electricity for customers, and seeks customers to buy electricity at retail.”

² The Perryman Group used the North American Industry Classification System (NAICS, the standard used by Federal statistical agencies in classifying business establishments) industry 221122 - Electric power distribution, which the US Census Bureau defines as comprising “electric power establishments primarily engaged in either (1) operating electric power distribution systems (i.e., consisting of lines, poles, meters, and wiring) or (2) operating as electric power brokers or agents that arrange the sale of electricity via power distribution systems operated by others.”

³ The US Bureau of Labor Statistics defines an establishment as “the physical location of a certain economic activity—for example, a factory, mine, store, or office. A single establishment generally produces a single good or provides a single service. An enterprise (a private firm, government, or nonprofit organization) can consist of a single establishment or multiple establishments.

⁴ The electric utility sector includes electric power generation, transmission, and distribution.

competition and retail electric providers lead to almost **\$13.0 billion** in gross product per year as well as nearly **66,500** permanent jobs in Texas.

- The net annual impact (including multiplier effects) after adjusting for the shift from regulated utilities to the competitive retail electric providers following the introduction of the retail market is nearly **\$8.3 billion** in gross product and more than **42,320** permanent jobs in Texas.
- The fiscal effects of retail competition are also noteworthy; the State government enjoys annual revenues of about **\$327.6 million**, while various local governments see about **\$113.3 million** in yearly resources.
- These benefits are summarized in the table below.

Summary of Economic and Fiscal Benefits to Texas of Competition in the Retail Electric Power Industry*		
Industry Growth Indicators		
Businesses (Growth in number of establishments: 2004-15)	Up 161.7%	
Employment (Growth in employment in electric distribution 2001-15)	Up 425.9%	
Annual Wages (Growth in average annual wages 2001-15)	Up 130.4%	
Incremental Direct Jobs due to Competition (The Perryman Group's estimate of ongoing Texas jobs in the retail electric power industry over and above what would be required under a regulated environment)	16,800	
Total Economic Benefits of Operations of Retail Electric Providers (Including Multiplier Effects)		
	Total Effect	Net Effect
Annual Total Expenditures	\$46.933 billion	\$29.873 billion
Annual Gross Product	\$12.977 billion	\$8.260 billion
Annual Personal Income	\$6.425 billion	\$4.089 billion
Employment	66,491 jobs	42,322 jobs
Annual Fiscal Benefits		
State	\$413.7 million	\$327.6 million
Local Government Entities (Counties, Cities, and School Districts)	\$143.1 million	\$113.3 million
*Economic benefits including multiplier effects are total annual impacts. Does not include the economic effects of lower electric power prices, greater innovation, and other benefits of the competitive market. Net impacts are adjusted for the conversion from regulated utilities to competitive retail electric providers following the introduction of the retail market. Fiscal benefits are based on net economic effects scenario. Dollar values are expressed in constant (2016) dollars. More detail is provided in the Appendices to this report.		
SOURCE: The Perryman Group		